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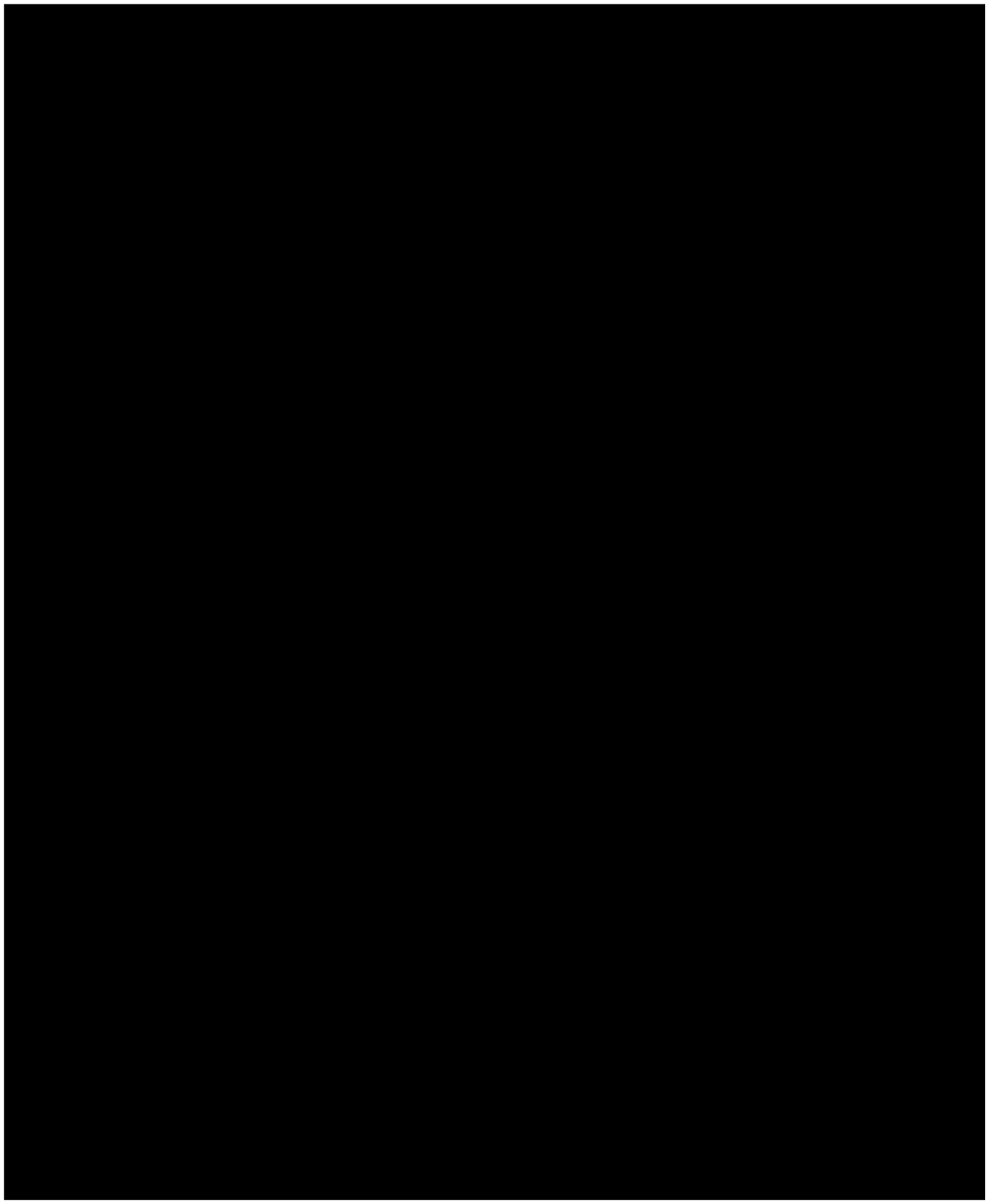

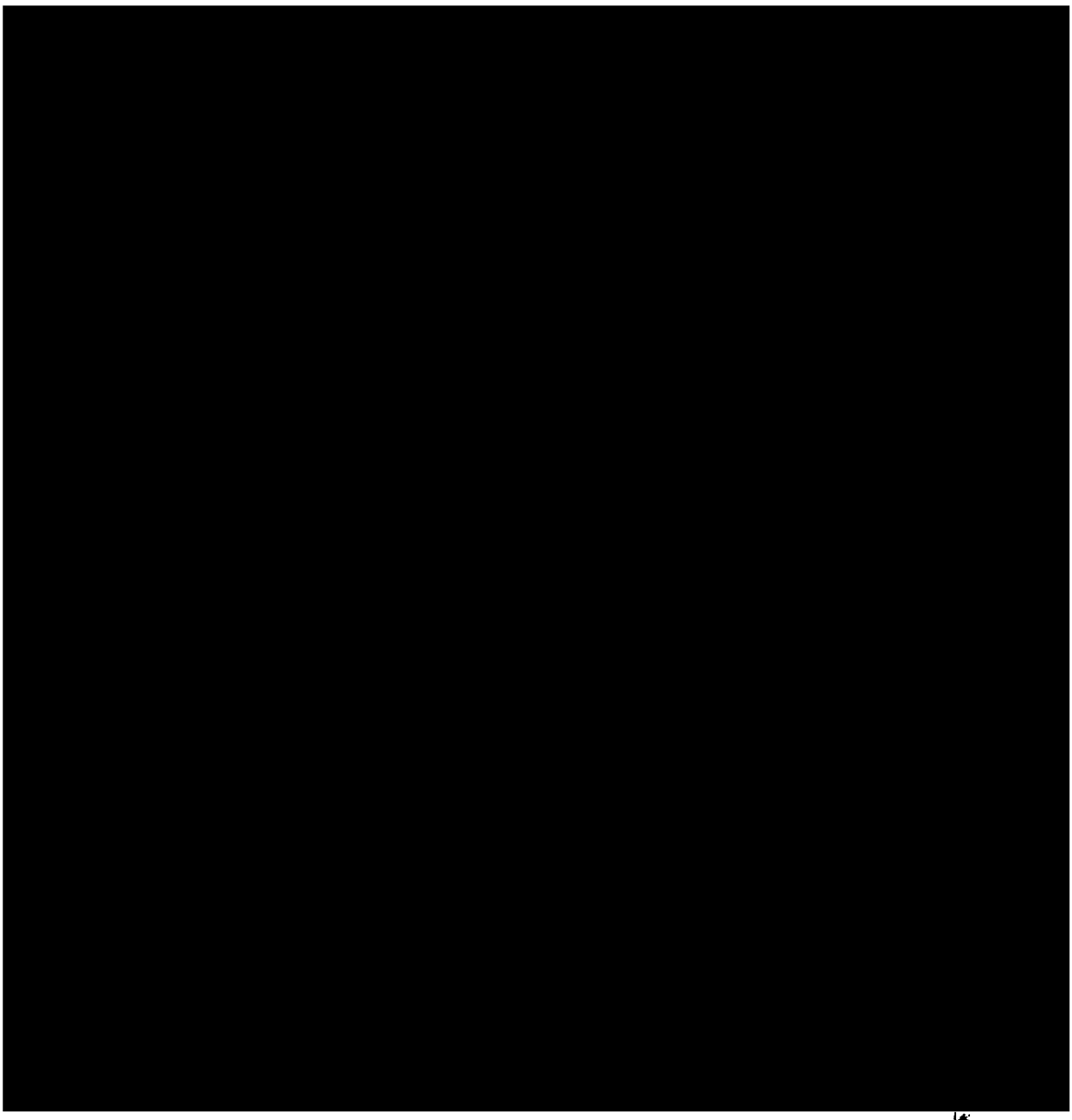

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India-Nepal: Bullying in the South Asian Schoolyard [redacted] 27

[redacted]

India, which regards Nepal as a strategic buffer between India and China, has grown concerned over Kathmandu's efforts to improve relations with Beijing. New Delhi will likely increase the diplomatic and economic pressure against Kathmandu during the coming year if the latter makes further moves toward China. [redacted]

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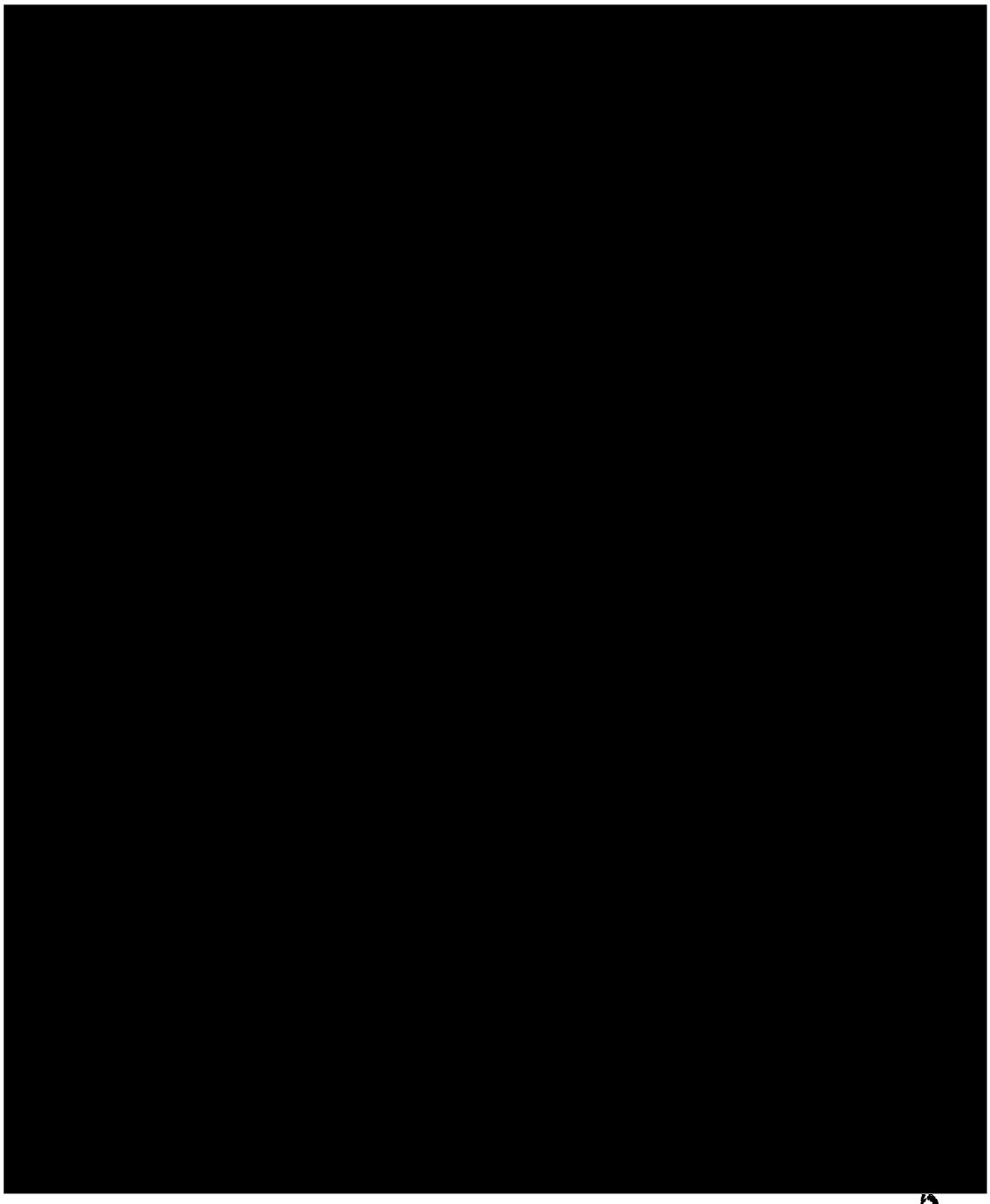

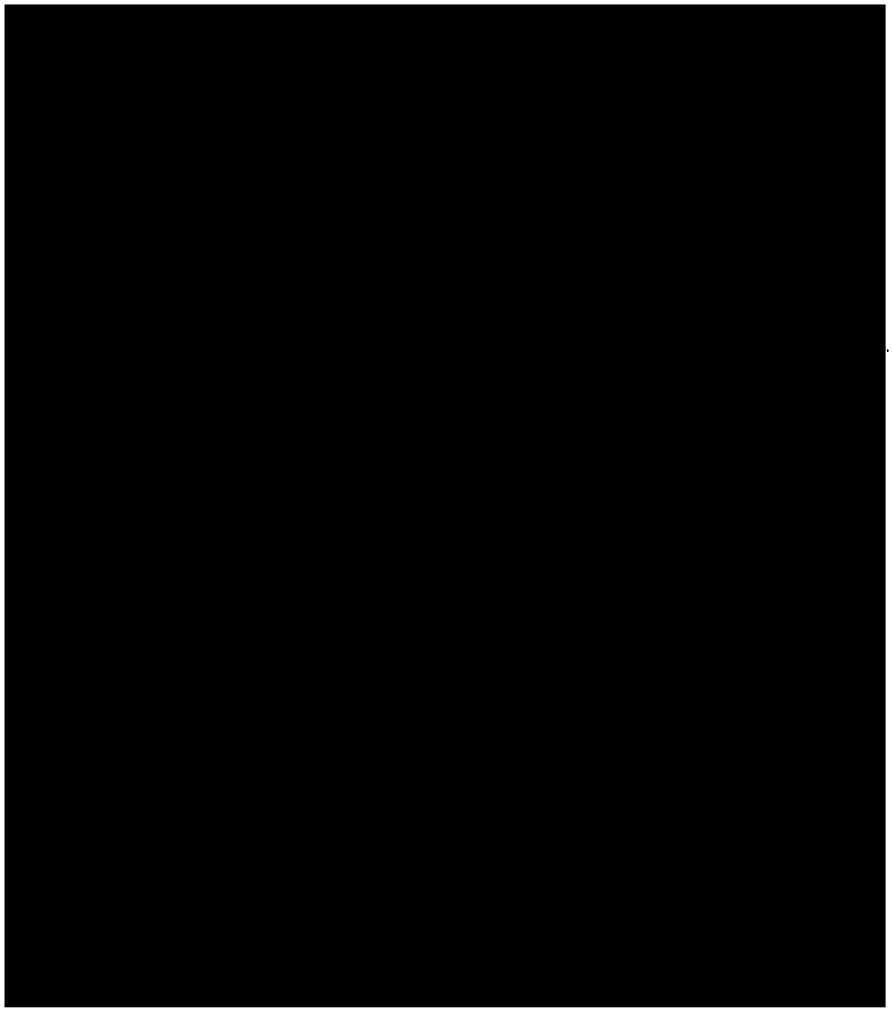

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India-Nepal: Bullying in the South Asian Schoolyard [redacted]

Indian Prime Minister Gandhi's Nepal policy is based on the traditional Indian view that Nepal is a strategic buffer between Indian and China and that Kathmandu must not be permitted to risk India's security by establishing close ties to China. [redacted]

Early in Gandhi's administration, he tried to achieve India's goals in Nepal with a "good neighbor" approach that led to a short period of positive relations with Kathmandu. For the past several years, however, New Delhi has used its economic leverage to ensure that Kathmandu consider Indian security interests in Nepalese foreign policy making. India has grown more concerned and angered over Nepal's efforts to improve relations with China and has tried to prevent several Sino-Nepalese agreements, including a Nepalese purchase of Chinese arms. India probably will turn up the diplomatic and economic pressure against Nepal during the coming year if Nepal makes further moves toward China. [redacted]

The Character of the Indo-Nepalese Relationship

India's military, economic, and population advantages over its South Asian neighbors have led New Delhi to expect that they defer to India for regional leadership. India has long taken this approach in its relations with Nepal, and Indian officials have in the past exercised virtual veto power over Nepalese foreign policy. According to academic studies, New Delhi believes the Indo-Nepal friendship treaty of 1950 places Nepal under India's security umbrella. Indian strategic thinkers historically have held the view that Nepal should serve as an Indian-dominated security buffer between India and China, reinforced by the natural barrier the Himalayas create along the northern tier of Nepal. [redacted]

New Delhi can exercise such strong influence over Nepalese foreign policy because of its enormous economic leverage over Nepal. According to official government statistics, India buys almost 40 percent of Nepal's exports—about $50 million worth of goods—and over 40 percent of Kathmandu's imports come from India. Nepal exports mostly agricultural products, such as jute, pulses, and mustard, and imports products such as cotton fabrics, medicines, machinery, and cement. In addition to the bilateral trade relationship, India provides substantial assistance for Nepalese development projects, including road and factory construction, hydroelectric power plants, and irrigation schemes. [redacted]

Nepal views India's security pretensions as onerous and lacking in respect for the integrity of smaller South Asian countries. [redacted]

The 1950 Indo-Nepalese Treaties

India's relations with Nepal are grounded in two 1950 treaties: the Treaty of Peace and Friendship and the Treaty of Trade and Commerce. The Friendship Treaty assures that each country will respect the other's sovereignty, territorial integrity, and independence. On matters pertaining to industrial and economic development, the treaty grants rights equal to those of its own citizens to the nationals of the other residing in its territory. The Trade Treaty recognizes Nepal's right to import and export commodities through Indian territory and ports. Customs are prohibited on commodities that transit through India, although India does charge port duties for Nepal's use of the Calcutta port. Nepal and India do not have a formal military alliance, but side letters accompanying the Friendship Treaty made explicit Nepal's inclusion in India's defense perimeter by stating that "neither government shall tolerate any threat to the security of the other by a foreign aggressor. [redacted]

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According to academic reporting, Nepal's complaints are not new—strains surfaced between India and Nepal during the 1960s and 1970s when Nepal bucked India by pressing for amendments to their trade and transit treaty and opposed India's absorption of the small kingdom of Sikkim.

[redacted]

Gandhi's Changing Approach to Nepal

Early in his administration, Gandhi tried to advance India's leadership ambitions by taking a less paternalistic approach with India's neighbors than had his mother. Diplomatic reporting indicated he was willing to support a multilateral approach to some regional problems, such as water sharing. India's neighbors preferred this approach because it helped them dilute the overwhelming power New Delhi wields in bilateral negotiations. Gandhi's conciliatory moves encouraged Nepal's King Birendra to believe Gandhi would be less confrontational than his mother and prompted Birendra to visit India in 1985 for the first time in eight years [redacted]

During the last three years, however, Gandhi has taken a tougher line with his neighbors, including Nepal, probably because he believes they failed to defer to India's regional leadership. Nepal has been a particular target of Gandhi's tough line because of its small size and economic dependence on India. Gandhi, who apparently has adopted the longstanding Indian strategic view of Nepal as an buffer state, has become increasingly forceful and blatant in using India's leverage to influence Nepalese foreign policy. [redacted]

Nepal's Relations With China: Key Sore Point

India's primary problem with Nepalese foreign policy stem from Kathmandu's overtures to China. Gandhi has repeatedly moved to try to limit Sino-Nepalese ties and China's diplomatic and commercial access to Nepal. According to academic studies, Nepal's relations with China have cropped up often as an irritant in Indo-Nepalese relations since the Sino-Indian war of 1962. The war left India and China with nagging border differences and mutual distrust that continues to mar their relations, and India still reacts strongly against Chinese efforts to gain influence in Nepal. [redacted]

The most glaring example of India's efforts to influence Nepal's relations with China occurred in 1985, when New Delhi threatened to close the India-Nepal border if Nepal gave an important road contract to China. [redacted] the Chinese tendered the low bid for the contract, but, India protested that it was concerned about a Chinese presence near its border and alleged China could use construction crews for intelligence operations against India. Sections of the highway were to be constructed 25 kilometers from Nepal's border with India's Uttar Pradesh State. India offered to build the road on grant basis, [redacted] and King Birendra eventually reneged on Nepal's agreement with China and accepted New Delhi's offer. [redacted]

[redacted]

India's 1987 military intervention in Sri Lanka probably has added immediacy to recent Nepalese efforts—including the arms deal—to strengthen ties to China. [redacted] reports that the Nepalese viewed the Indian intervention in Sri Lanka as an indication of New Delhi's lack of respect for the territory of the smaller surrounding states. The Nepalese expressed concern that India could violate Nepal's territory at least as easily as it

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did Sri Lanka's. Kathmandu almost certainly views a closer security relationship with China as one way it can try to make the Indians think twice about using their Sri Lanka tactics on Nepal [redacted]

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India could decide to expel Nepalese laborers working in Indian border states to increase economic pressure on Nepal. The 1950 Indo-Nepal treaty allows citizens of both countries to work and live across the common border, and thousands of ethnic Nepalese work in India. In 1986, however, officials in India's Meghalaya State expelled thousands of seasonal Nepalese workers because they did not have special work permits, according to press reports. Although state government officials, not New Delhi, ordered the expulsions, the move demonstrated to Kathmandu both India's economic leverage over Nepal and the ease with which India could use economic measures to close off Nepalese laborers' access to India and possibly to provoke domestic unrest in Nepal. [redacted]

[redacted]

Outlook

[redacted]

Kathmandu has yielded in the past to India pressure tactics. We do not believe King Birendra could withstand a full-court diplomatic press by New Delhi that included tough economic sanctions. India, for example, could damage Nepal's jute industry by clamping down on imports or disrupt the economy along Nepal's border by closing it to Nepalese laborers. Nepal will continue to look to China to try to temper India's power, but Kathmandu is unlikely to go so far in establishing ties to Beijing as to risk a long-term chill in its relations with New Delhi [redacted]

We believe Birendra hopes to craft a future Nepalese foreign policy that allows him to play the Chinese against the Indians. We do not believe the Nepalese king has an immediate plan for reaching that goal without provoking an economically disastrous response from the Indians. Although we anticipate continued Nepalese contacts with the Chinese, we expect Kathmandu will focus on commercial ties and limit more sensitive security cooperation until the relationship with New Delhi stabilizes. [redacted]

[redacted]

[redacted]